Leading the Way

CONNECTICUT
STATE COUNCIL

SERVICE EMPLOYEES
INTERNATIONAL UNION
AFL-CIO, CLC

77 Huyshope Avenue
Hartford, CT 06106
860.251.6091
Fax: 860.548.1935

March 8, 2016

Statement by Paul Filson, Director of Service Employees International Union (SEIU) Connecticut State Council in **support of SB 391** –AN ACT CONCERNING THE RECOUPMENT OF STATE COSTS ATTRIBUTABLE TO LOW WAGE EMPLOYERS – before the Human Services Committee.

Good Afternoon, Co-Chairs, Senator Moore, Representative Abercrombie and distinguished members of the Human Services Committee. I appreciate the opportunity to testify today. My name is Paul Filson and I am Director of SEIU's Connecticut State Council. The State Council represents over 65,000 members in Connecticut. SEIU is Connecticut's largest union. SEIU whole-heartedly supports **SB 391** a law that would ensure that large for-profit corporation wages are not massively subsidized by public tax dollars.

SB 391 makes a clear policy decision. It is time for hugely profitable large corporations to pay their employees a decent wage. Wal-Mart and the other large corporations covered by this bill have developed a model for making money that relies on public subsidies. Workers employed full time at one of these low paying employers are eligible for multiple public subsidies including: HUSKY, Food Stamps, Earned Income Tax Credits, Housing, Child Care and others. Should the state and its tax payers encourage this model?

There are over 40 Wal-Mart and Sam's Club stores and over 150 McDonald's restaurants in Connecticut. According to an OLR report from 2011 nearly 28,000 workers and their family members who were employed at Wal-Mart, McDonald's, Dunkin Donuts and 22 other huge companies were enrolled in HUSKY. As Medicaid expands under the Affordable Care Act there are thousands more. Those who work hard for a living at $billion corporations should not have to rely on public subsidies.

Let us look as some indisputable facts:

- *Some of the largest and most profitable corporations in the world pay poverty wages equal to or just above the minimum wage to most of their employees.*
- *Studies show low wages cost Connecticut hundreds of millions of dollars annually – $486 million for the state's share of costs for working families that receive Medicaid, Children's Health Insurance Program (CHIP), and Temporary Aid for Needy Families (TANF), with additional costs for state child care assistance and health care programs used by low-income working families as well as the state earned income tax credit.*
- *Many of Connecticut's most profitable corporations do not provide*

affordable, quality health insurance including Wal-Mart, Dunkin Donuts and McDonald's. Over 28,000 workers and their family members at these and other large profitable corporations are enrolled in HUSKY.

- *Many CT based small businesses pay more in Connecticut taxes than hugely profitable national corporations.*

The low wage model is not necessary nor should it be tolerated. The vast majority of other companies pay their workers decently, including the majority of small businesses. **SB 391** charges large for-profit low wage employers a fee to offset their exploitative business model. As Connecticut contemplates cutting hundreds of millions of dollars in services a $1.00/hour fee for each employee paid less than a decent wage of $15 per hour would encourage higher wages or at least reimburse the State and tax payers for subsidizing poverty wages. Raising the minimum wage to $15/hour would make a low wage employer fee unnecessary. SEIU supports doing just that and the legislature should pass this year's initiative to raise the minimum wage.

Here is something **SB391** does not do. It does not add any expenses to small businesses. The fee pertains only to employers with over 500 employees and it does NOT collect any fees from individual franchisees. Fees would be collected from the large corporate franchisors that have a total of 500 workers in their franchised workplaces.

This year **SB 391** recognizes that the fee on large employers should be gradually applied. That is why a provision in the bill ratchets the fee up from 10 cents per hour for 500 employees to $1/hour for companies of 750 or more employees. This system eliminates a steep cliff and is more fair – charging larger corporations more than smaller ones.

The argument that providing decent wages and benefits will cause Connecticut to lose jobs is a scare tactic – it's unproven. Nor is it a given that prices would rise more than a little. In fact, leveling the playing field should have the opposite effect - providing an incentive for other decent companies to open and compete with bottom feeders like Wal-Mart. The fee will inject much needed money into programs that will allow more workers to enter the work force injecting money into the consumer market creating jobs.

The Department of Social Services, The Department of Developmental Services and the Office of Early Childhood would receive needed revenues from the fees paid by large for profit companies like McDonald's and Walmart to support and enhance health care services and child care programs that are being threatened with cuts due to our current budget shortfalls. These programs have been short changed for years and should be funded to allow for the expansion of quality services that make it possible for Connecticut's workers to get jobs and stay in them.

Last year the Office of Fiscal Analysis estimated a similar bill would raise $300 million dollars a year. **SB 391** is good policy that will grow Connecticut's economy, improve services in health care for the elderly, those with disabilities and the children of working families. Connecticut's economy and budget should be designed to reflect values that place human needs first. Please support **SB 391.**